

Message Text

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21-12

ACTION NEA-12

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USIA-15 ACDA-19 IO-14 AID-20 EB-11 CIEP-02 TRSE-00

STR-08 OMB-01 CEA-02 COME-00 FRB-02 XMB-07 OPIC-12

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R 130728Z NOV 73

FM AMCONSUL ISTANBUL

TO SECSTATE WASHDC 4697

INFO AMEMBASSY ANKARA

AMCONSUL ADANA

AMCONSUL IZMIR

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E.O. 11652: N/A

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SUBJECT: ISTANBUL BUSINESS VIEWS ON GOVT CRISIS

SUMMARY: CONVERSATIONS WITH NUMBER OF LEADING ISTANBUL BANKERS, BUSINESSMEN INDICATE AT LEAST TEMPORARY SLOWDOWN OF INVESTMENT TEMPO, PESSIMISM OVER PROSPECTS FOR EARLY SLOWDOWN OF INFLATION AND WIDESPREAD EXPECTATIONS OF MORE OR LESS EARLY ELECTIONS. END SUMMARY

1. LEADING MEMBERS ISTANBUL BUSINESS COMMUNITY HAVE INFORMED CONGEN OFFS IN RECENT CONVERSATIONS THAT WITH EXCEPTION VERY LARGEST TURKISH FIRMS, PRESENT UNCERTAINTY RE FORMATION NEW GOVT IS LEADING MANY INVESTORS TO HOLD OFF ON NEW INVESTMENTS UNTIL SITUATION CLARIFIES. RAHMI KOC OF KOC HOLDING, LARGEST PRIVATE BUSINESS AGGLOMERATION IN TURKEY, TOLD CONIN OFFS THAT KOC HAS NOW REACHED SIZE WHERE MOMENTUM MUST BE MAINTAINED AND THEREFORE THEY PROCEEDING WITH SPENDING
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ING AND PLANNING ON LARGE PROJECTS CONSIDERED NECESSARY TO

MAINTAIN GROWTH. HOWEVER, HE ACKNOWLEDGED EVEN KOC IS HOLDING OFF ON ANY PROJECTS NOT CONSIDERED ABSOLUTELY NECESSARY. OTHER SOURCES HAVE CONFIRMED THAT THE HANDFUL OF OTHER REALLY LARGE COMPANIES ARE TAKING SAME APPROACH BUT THAT MOST MEDIUM AND SMALL-SIZE INVESTORS ARE GENERALLY HOLDING BACK.

2. BUSINESSMEN GENERALLY SKEPTICAL THAT EXISTING PARLIAMENTARY ALIGNMENT LIKELY TO LEAD TO ANYTHING BUT MOST TEMPORARY AND FRAGILE COALITION. SOME BELIEVE NEW ELECTIONS LIKELY WITHIN NEXT MONTH OR TWO, OTHERS INCLUDING KOC BELIEVE FORMATION NATIONAL COALITION WITH INDEPENDENT PRIME MINISTER FOR ONE YEAR TO BE FOLLOWED BY ELECTIONS IS MOST LIKELY OUTCOME. REGARDLESS OF WHAT SCENARIO THEY PREDICT, THEY ARE VIRTUALLY UNANIMOUS IN VOICING FEAR THAT ANY GOVT LIKELY TO BE FORMED WILL NOT RPT NOT BE ABLE TAKE POLITICALLY UNPOPULAR DECISIONS NECESSARY TO CURB INFLATION. A NUMBER OF OBSERVERS HAVE POINTED OUT THAT GIVEN UNPRECEDENTED LEVEL OF PRIVATE INVESTMENT IN PAST TEN MONTHS, A TEMPORARY DELAY IN FURTHER SPENDING WOULD NOT NECESSARILY BE A BAD THING. PROLONGATION OF THE CRISIS BEYOND A FEW MONTHS, HOWEVER, COULD SLOW INVESTMENT TO POINT WHERE IT WOULD SERIOUSLY HAMPER OVER-ALL RATE OF ECONOMIC GROWTH ACCORDING THESE OBSERVERS.

3. ANOTHER PROBLEM CREATED BY PRESENT UNCERTAINTY ACCORDING SOME KNOWLEDGEABLE BUSINESSMEN IS RELUCTANCE OF MANY ANKARA BUREAUCRATS TO MAKE ANY MAJOR DECISIONS. SOME OBSERVERS ASSERT THAT THOSE ELEMENTS IN STATE PLANNING ORGANIZATION MOST ANTAGONISTIC TOWARD FOREIGN INVESTMENT GENERALLY HAVE BEEN ENCOURAGED BY PRESENT CLIMATE OF UNCERTAINTY TO TAKE EVEN HARDER LINE IN DEALING WITH NEW FOREIGN INVESTMENT PROPOSALS.

4. COMMENT: ISTANBUL BUSINESSMEN, WHO UNCHARACTERISTICALLY SEEMED TO HAVE BEEN LITTLE AFFECTED BY CRISIS EARLIER THIS YEAR OVER PRESIDENTIAL ELECTION, APPEAR TO HAVE REVERTED TO FORM IN CURRENT SITUATION AND WAIT AND SEE ATTITUDE IS VERY MUCH THE ORDER OF THE DAY. WHILE FOREIGN INVESTORS ALREADY HAVING PROPOSALS PENDING BEFORE GOT MAY WELL CONTINUE TO PUSH FOR APPROVAL, SEEMS LIKELY THAT EARLY ACTION SHOULD NOT IN MOST CASES BE EXPECTED. WITH REGARD LIMITED OFFICIAL USE

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NEW PROPOSALS, FOREIGN INVESTORS LIKELY TO HOLD BACK UNTIL NEW GOVT FORMED AND ITS POLICIES TOWARD FOREIGN INVESTMENT ENUNCIATED.
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